

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 EB-07 FRB-03 INR-07

NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04

SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 DODE-00 PM-03

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FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 9313

INFO USDOC WASHDC

AMEMBASSY BERLIN

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY WARSAW

USMISSION NATO

C O N F I D E N T I A L MOSCOW 5227

USDOC FOR BEWT/TDAD

E.O. 11652 GDS

TAGS: EFIN, UR, FR, UK

SUBJ: NEW EURODOLLAR LOAN TO SOVIET BANK FOR FOREIGN TRADE

REF: MOSCOW 5065 NOTAL

1. DURING CONVERSATION WITH COMMATT APRIL 14, FRENCH EMBOFF
REPORTED THAT FRENCH BANKERS INVOLVED IN NEGOTIATION OF NEW
DOLLARS 250 MILLION EURODOLLAR LOAN TO SOVIET BANK FOR FOREIGN
TRADE HAD BEEN STRUCK BY RELATIVE EASE AND SPEED WITH WHICH
THESE NEGOTIATIONS WERE CONCLUDED. THIS WAS PARTICULARLY TRUE
SINCE, IN FRENCH VIEW, SOVIETS HAD NO PRESSING NEED FOR THESE
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FUNDS AND MIGHT HAVE BEEN EXPECTED TO DRAW OUT NEGOTIATIONS AL-
MOST INDEFINITELY IN ORDER TO OBTAIN SLIGHTLY BETTER TERMS. FOR

THIS REASON AND ON BASIS CERTAIN PRIVATE INDICATIONS FROM SOVIETS, FRENCH HAVE TENTATIVELY CONCLUDED THAT SOVIET WERE IN FACT ACTING AS AGENTS FOR EAST EUROPEANS IN PUTTING THIS LOAN TOGETHER. ACCORDING TO THIS REASONING, SOVIETS WERE ABLE TO OBTAIN CONSIDERABLY MORE FAVORABLE CONDITIONS THAN EAST EUROPEANS COULD HAVE HAD THEY EACH GONE INTO MARKET INDIVIDUALLY (PERHAPS AS MUCH AS ONE-HALF A POINT ON INTEREST RATE). FRENCH ALSO UNDERSTAND THAT SOVIETS INTEND TO DRAW DOWN THIS LOAN VERY QUICKLY, PERHAPS WITHIN NEXT TWO-THREE MONTHS, A STEP WHICH THEY ALSO REGARD AS INCONSISTENT WITH GENERALLY-ACCEPTED VIEW OF CURRENT SOVIET FOREIGN EXCHANGE POSITION.

2. ON APRIL 15 MEMBER OF A SOVIET INSTITUTE CONCERNED WITH EAST EUROPEAN ECONOMIC DEVELOPMENTS TOLD EMBOFF THAT VENSHTORGBANK'S RELATIVELY EASY ACQUISITION OF RECENT EUROS DOLLAR LOAN IS GOOD INDICATION OF A-1 SOVIET CREDIT RATING IN INTERNATIONAL MARKETS. HE REFUSED TO COMMENT ON POSSIBILITY THAT NEW LOAN MIGHT BE FOR EAST EUROPEAN COUNTRIES BUT IMPLIED THAT THEIR HARD CURRENCY NEEDS MIGHT BE MET MORE SUITABLY THROUGH BORROWING HANDLED BY CEMA INTERNATIONAL INVESTMENT BANK (IIB).

3. COMMENT: EMBASSY WOULD BE INTERESTED IN ANY INDICATIONS THAT EAST EUROPEANS ARE SLATED TO OBTAIN PROCEEDS FROM THIS LOAN OR ARE MOVING TOWARD ACQUISITION OF HARD CURRENCY THROUGH IIB. REPORTED PROSPECTIVE IIB BORROWING FOR ORENBURG NATURAL GAS PROJECT MIGHT BE ONE POSSIBILITY.
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